Third Quarter Report

Contents:

Saskatchewan Telecommunications Holding Corporation

Third Quarter Report 2019/20

For the Period Ending December 31, 2019

Saskatchewan Telecommunications Holding Corporation (the Corporation; SaskTel) is a Saskatchewan Crown corporation. The Corporation's wholly-owned subsidiaries (Saskatchewan Telecommunications, Directwest, SecurTek, and SaskTel International) offer a wide array of products, services, and solutions to customers in Saskatchewan and around the world. The Corporation has a workforce of approximately 3,600 full-time equivalents (FTEs), making the Corporation one of Saskatchewan's largest employers.

Our vision is "*Be the best at connecting people to their world.*" and our mission is *"To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications."*

Financial Highlights

As required by International Financial Reporting Standards (IFRS), effective April 1, 2019, the Corporation has adopted IFRS 16, *Leases* (IFRS 16) as described below and in Note 2 *Basis of presentation,* of the unaudited condensed consolidated interim financial statements. The Corporation has adopted IFRS 16 using the modified retrospective approach which requires that the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2019. As a result, comparative information has not been restated and continues to be reported under IAS 17, IFRIC 4, SIC-15 and SIC-27, the standards in effect at the time. See Note 2 *Basis of presentation* for the impacts of IFRS 16.

Consolidated Net Income

	Three months ended December 31,				Nine months ended December 31,			
Millions of dollars	**2019**	2018	Change	% Change	**2019**	2018	Change	% Change
Revenue	**$338.2**	$331.6	$6.6	2.0	**$970.2**	$963.7	$6.5	0.7
Other income (loss)	**2.5**	(0.3)	2.8	*nmf*[1]	**2.9**	3.0	(0.1)	(3.4)
	340.7	331.3	9.4	2.8	**973.1**	966.7	6.4	0.7
Expenses	**292.0**	292.2	(0.2)	(0.1)	**850.8**	844.4	6.4	0.8
Results from operating activities	**48.7**	39.1	9.6	19.7	**122.3**	122.3	-	-
Net finance expense	**8.9**	7.9	1.0	11.2	**26.6**	22.8	3.8	14.3
Net income	**$39.8**	$31.2	$8.6	21.6	**$95.7**	$99.5	$(3.8)	(4.0)

1. nmf - no meaningful figure

Net income for the nine months ended December 31, 2019 is $95.7 million, down $3.8 million (4.0%) from the same period in 2018/19. Revenue increased to $970.2 million, up $6.5 million (0.7%) from the same period in 2018/19 primarily due to increased internet, maxTV services, equipment, international software and consulting services and security monitoring revenue partially offset by decreased wireline legacy services, marketing services, and wireless revenue.

Expenses for the nine months ended December 31, 2019 increased to $850.8 million, up $6.4 million from the same period in 2018/19. This increase is primarily driven by increased goods and services and depreciation partially offset by decreased net salaries, wages and benefits.

Net finance expense was $26.6 million, up $3.8 million from the same period in 2018/19, primarily driven by increased interest on short-term debt, long-term debt and lease liabilities and reduced interest capitalized, partially offset by increased income from customer terminal financing and sinking funds.

Management’s Discussion and Analysis

February 6, 2020

Forward-Looking Information

The following discussion focuses on the consolidated financial position and results of the operations of SaskTel for the third quarter 2019/20. This discussion and analysis should be read in conjunction with SaskTel’s audited financial statements for the fiscal year ended March 31, 2019. Some sections of this discussion include forward-looking statements about SaskTel’s corporate direction and financial objectives. A statement is forward-looking when it uses information known today to make an assertion about the future. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently. Therefore, SaskTel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a full discussion of risk factors, please refer to Management’s Discussion & Analysis in SaskTel’s 2018/19 Annual Report. These interim statements have been prepared in accordance with the International Financial Reporting Standard IAS 34, “Interim Financial Reporting”. These interim statements have been approved by the SaskTel Board of Directors on February 6, 2020.

Results of Operations

Revenue

Millions of dollars	**2019**	2018	Change	% Change
Three months ended December 31,	**$338.2**	$331.6	$6.6	2.0
Nine months ended December 31,	**$970.2**	$963.7	$6.5	0.7

Revenue for the third quarter of 2019/20 was $338.2 million, up $6.6 million from the same period in 2018/19. Year-to-date revenue was $970.2 million which represents a $6.5 million increase from 2018/19. This increase is primarily driven by; increased revenue per subscriber for maxTV services and internet services, increased managed and emerging services and security monitoring revenue from access growth, increased customer premise equipment (CPE) as a result of increased average revenue per wireless device, and increased revenue from international software consulting services. These increases are partially offset by decreased local and enhanced service, and long-distance revenue as a result of customers moving from wireline to wireless services, commonly referred to as wireless substitution; decreased marketing services revenue and wireless revenue.

Expenses

Millions of dollars	**2019**	2018	Change	% Change
Three months ended December 31,	**$292.0**	$292.2	$(0.2)	(0.1)
Nine months ended December 31,	**$850.8**	$844.4	$6.4	0.8

Expenses for the third quarter of 2019/20 decreased to $292.0 million, down $0.2 million from the same period in 2018/19. Year-to-date expenses of $850.8 million were $6.4 million higher than the same period in 2018/19 due to increased goods and services, as a result of increased direct expenses, and depreciation, partially offset by reduced net salaries. Direct expenses increased $7.4 million mainly due to higher wireless device and acquisition costs and maxTV service content costs, partially offset by reduced volume of equipment sales and reduced roaming costs. Depreciation and amortization increased $11.2 million primarily due to the increased asset base as SaskTel continues to invest in its fixed and wireless broadband networks, as well as the impact of adoption of

IFRS 16, related to the depreciation of right-of-use assets. Goods and services purchased, excluding direct costs, decreased $5.1 million due to continued cost management related to contract spending as well as the impact of IFRS 16 which has resulted in a reduction in equipment and facility rental costs, now classified as lease liability payments. These reductions were partially offset by increased spending on software licenses and maintenance. Net salaries, wages and benefits decreased $7.5 million primarily due to fewer full-time equivalent employees and reduced salaries related to the labour disruption.

Net finance expense

Millions of dollars	**2019**	2018	Change	% Change
Three months ended December 31,	**$8.9**	$7.9	$1.0	12.7
Nine months ended December 31,	**$26.6**	$22.8	$3.8	16.7

Net finance expense for the third quarter of 2019/20 was $8.9 million, up $1.0 million over the same period in 2018/19. Year-to-date net finance expense increased to $26.6 million from $22.8 million in 2018/19. This is driven primarily by increased interest on new long-term debt issues and lease liabilities and less interest capitalized, partially offset by increased interest income from terminal financing and sinking funds.

Financial Condition

Changes in the Corporation's assets, liabilities, and equity from March 31, 2019 to December 31, 2019 are discussed below:

Millions of dollars	Increase (decrease)	Explanation
Cash	**$(5.1)**	See condensed consolidated statement of cash flows
Trade and other receivables	**35.0**	Timing of receipts
Inventories	**1.7**	Increase in inventory is due to timing of inventory purchases
Prepaid expenses	**(5.3)**	Recognition of employee benefits partially offset by increased contracts related to maintenance
Contract assets	**10.0**	New contract assets related to contracts initiated during the period partially offset by amortization of existing contract assets to revenue
Contract costs	**20.3**	Deferral of contract costs related to contracts initiated during the period partially offset by amortization of existing contract costs
Property, plant and equipment	**25.5**	Capital spending partially offset by depreciation, retirements and disposals
Right-of-use assets	**44.0**	Initial recognition of leased assets due to adoption of IFRS 16, partially offset by depreciation
Intangible assets	**3.4**	Capital spending on software and spectrum partially offset by amortization
Sinking funds	**16.9**	Instalments, earnings and market value gains
Other assets	**2.4**	Increased wireless financing
Bank indebtedness	**1.9**	See condensed consolidated statement of cash flows
Trade and other payables	**(31.2)**	Timing of payments for operations, capital spending, and interest
Notes payable	**19.5**	Capital spending requirements partially offset by repayment of notes payable from issuance of long-term debt
Contract liabilities	**(3.9)**	Timing of revenue recognition related to contract liabilities
Other liabilities	**5.6**	Current portion of lease liability related to adoption of IFRS 16
Deferred revenue – government funding	**(3.1)**	Amortization of previous funding to revenue partially offset by additional funding
Long-term debt	**106.2**	New debt issue and amortization of the net discount on debt
Lease liabilities	**38.5**	Term portion of lease liability due to adoption of IFRS 16 partially offset by principal repayments
Employee benefit obligations	**(0.8)**	Primarily related to increased earnings partially offset by a decrease in the discount rate used to determine the net obligation and the impact of the asset ceiling limit
Provisions	**0.2**	Interest accretion of the provisions
Equity	**16.5**	Total comprehensive income less dividends declared

Liquidity and Capital Resources

Cash provided by operating activities

Millions of dollars	2019	2018	Change	% Change
Nine months ended December 31,	**$148.7**	$169.4	$(20.7)	(12.2)

Cash provided by operating activities for the nine months ended December 31, 2019 was down $20.7 million compared to the same period in 2018/19 primarily due to increased working capital requirements partially offset by increased cash from operations after adjusting for non-cash items.

Cash used in investing activities

Millions of dollars	2019	2018	Change	% Change
Nine months ended December 31,	**$183.1**	$190.1	$(7.0)	(3.7)

Cash used in investing activities in the nine months ended December 31, 2019 decreased to $183.1 million, down $7.0 million due to planned spending reductions from the same period in 2018/19 related to reduced spending on FTTP within the major centres, facility renovations and demand for access in communities, partially offset by FTTP spending outside of the major centres, and the purchase of 600-megahertz spectrum licenses.

Cash provided by financing activities

Millions of dollars	2019	2018	Change	% Change
Nine months ended December 31,	**$27.3**	$22.1	$5.2	23.5

Cash provided by financing activities in the nine months ended December 31, 2019 was $27.3 million, up $5.2 million from the same period in 2018/19. This is primarily due to increased net borrowing partially offset by a reduced dividend payment compared to 2018/19.

Liquidity and capital resource ratios

Debt ratio

	December 31, 2019	March 31, 2019	Change
Debt ratio	**48.9%**	46.6%	2.3

The debt ratio increased to 48.9%, up from 46.6% at March 31, 2019. The overall level of net debt increased $113.9 million during the period due to increased borrowings and reduced cash balances, partially offset by increased sinking funds.

Equity decreased by $16.5 million to the end of the third quarter of 2019/20 after recording net income of $95.7 million, other comprehensive income of $3.2 million and dividends of $82.4 million, down $7.5 million from 2018/19.

The debt ratio is calculated as net debt divided by end of period capitalization. Net debt is defined as total debt, including long-term debt, notes payable and the current portion of long-term debt, less sinking funds, and cash and short-term investments. Capitalization includes net debt, equity advances, accumulated other comprehensive loss and retained earnings at the period end.

Capital Spending

Millions of dollars	2019	2018	Change	% Change
Property, plant and equipment	**$158.2**	$177.2	$(19.0)	(10.7)
Intangible assets	**29.3**	17.5	11.8	67.4
Nine months ended December 31,	**$187.5**	$194.7	$(7.2)	(3.7)

Total capital expenditures for the first nine months of 2019/20 were $187.5 million, down $7.2 million from the same period in 2018/19.

SaskTel's net spending on property, plant and equipment for the first nine months of 2019/20 was $158.2 million, down $19.0 million from the same period in 2018/19 primarily due to reduced spending to meet demand for access in communities, and reduced spending on network infrastructure and core facility renovations. These were partially offset by increased spending on the Wireless Sask program. SaskTel's net spending on intangible assets was $29.3 million, up $11.8 million from the same period in 2018/19 primarily due to the purchase of 600-megahertz spectrum licenses.

Capital expenditures in 2019/20 will focus on further investment in the core Saskatchewan network including: FTTP, wireless network enhancements and basic network growth and enhancements. This core network investment will ensure: increased internet access speeds; enhanced maxTV service; increased wireless bandwidth, resulting in increased roaming capacity and data speeds; as well as continued network growth and refurbishment. Expenditures will also enhance customer interface and expand service offerings.

2019/20 Outlook

The 2018/19 SaskTel Annual Report identified a consolidated net income target for the fiscal year ended March 31, 2020 of $129.5 million. This target includes the impacts of adoption of IFRS 16. At this time, SaskTel believes it will be challenged to meet this target.

Risk Assessment

The 2018/19 Annual Report discusses the risks and uncertainties in SaskTel's business environment focusing on both Strategic and Core Business Risks. Strategic Risks are risks that may inhibit SaskTel from achieving goals and targets outlined in its Strategic Plan including the following areas: customer experience, broadband penetration, transformation, and profitability. Core Business Risks are risks associated with the execution of SaskTel's business functions including the following areas: operational; financial; and compliance and legal.

A strong governance process for enterprise risk management is in place. This is an iterative process designed to identify, evaluate, mitigate and control, report, monitor, assess and govern key corporate risks. SaskTel's key risk profile remains unchanged at December 31, 2019.

Adoption of IFRS 16

The Corporation has adopted IFRS 16 *Leases* (IFRS 16) with a date of initial application of April 1, 2019 as described above and in Note 2 *Basis of presentation,* of the unaudited condensed consolidated interim financial statements. In accordance with the transition provisions of IFRS 16, the Corporation has applied IFRS 16 using the modified retrospective approach which requires that the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at April 1, 2019. As a result, comparative information has not been restated and continues to be reported under IAS 17 *Leases* (IAS 17), IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, the standards in effect at the time.

Adoption of IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases resulting in the recognition of assets for the right of use received and liabilities for the payment obligations entered into for all leases. For leases that had been classified as operating in accordance with IAS 17, the lease liability will be recognized at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate at April 1, 2019. The right-of-use asset will be measured at the amount of the lease liability plus any payments made or accrued at transition. The accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases according to IAS 17. As a result of adopting IFRS 16, the Corporation has recognized a significant increase to both assets and liabilities, however, there was no impact to opening retained earnings.

The adoption of IFRS 16 has also resulted in: a decrease to goods and services purchased for the removal of lease rent expense; an increase in depreciation due to depreciation of the right-of-use assets; and an increase to net finance expense due to recognition of additional interest expense related to the lease liabilities. The change in presentation of operating lease expense also resulted in an improvement in cash flows from operations and a corresponding decline in cash flows from financing activities.

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income

		(Unaudited)			
		Three months ended December 31,		Nine months ended December 31,	
Thousands of dollars	Note	**2019**	2018	**2019**	2018
Revenue	3	**$338,215**	$331,592	**$970,215**	$963,660
Other income (loss)		**2,491**	(242)	**2,872**	3,021
		340,706	331,350	**973,087**	966,681
Expenses					
Goods and services purchased		**147,710**	149,522	**417,312**	415,026
Salaries, wages and benefits		**88,874**	92,236	**268,324**	278,079
Internal labour capitalized		**(4,311)**	(5,865)	**(16,127)**	(18,442)
Depreciation - property, plant & equipment	5	**43,222**	41,731	**128,495**	121,771
Depreciation - right-of-use assets	6	**1,653**	-	**5,018**	-
Amortization	7	**8,526**	8,571	**25,345**	25,895
Impairment loss	7	**560**	-	**560**	-
Saskatchewan taxes		**5,752**	6,022	**21,852**	22,115
		291,986	292,217	**850,779**	844,444
Results from operating activities		**48,720**	39,133	**122,308**	122,237
Net finance expense	4	**8,868**	7,881	**26,617**	22,749
Net income		**39,852**	31,252	**95,691**	99,488
Other comprehensive income (loss)					
Items that will be reclassified to net income					
Sinking fund market value gains (losses)		**(1,761)**	1,262	**3,018**	(996)
Items that will never be reclassified to net income					
Net actuarial gains on defined benefit pension plan	9	**8,809**	35	**156**	107
Total other comprehensive income (loss)		**7,048**	1,297	**3,174**	(889)
Total comprehensive income		**$46,900**	$32,549	**$98,865**	$98,599

All net income and total comprehensive income are attributable to Crown Investments Corporation of Saskatchewan (CIC).

See Accompanying Notes

Condensed Consolidated Interim Statement of Changes in Equity

Thousands of dollars	Equity advances	Accumulated other comprehensive income	Retained earnings	Total equity
	(Unaudited)			
Balance at April 1, 2019	**$237,000**	**$104,362**	**$823,806**	**$1,165,168**
Net income	**-**	**-**	**95,691**	**95,691**
Other comprehensive income	**-**	**3,174**	**-**	**3,174**
Total comprehensive income	-	**3,174**	**95,691**	**98,865**
Dividends declared	**-**	**-**	**82,350**	**82,350**
Balance at December 31, 2019	**$237,000**	**$107,536**	**$837,147**	**$1,181,683**
Balance at April 1, 2018	$250,000	$100,171	$811,063	$1,161,234
Net income	-	-	99,488	99,488
Other comprehensive loss	-	(889)	-	(889)
Total comprehensive income (loss)	-	(889)	99,488	98,599
Dividends declared	-	-	89,808	89,808
Balance at December 31, 2018	$250,000	$99,282	$820,743	$1,170,025

See Accompanying Notes

Condensed Consolidated Interim Statement of Financial Position

As at Thousands of dollars	Note	(Unaudited) **December 31, 2019**	March 31, 2019
Assets			
Current assets			
Cash		**$ -**	$5,121
Trade and other receivables	11a	**174,011**	139,057
Inventories		**21,833**	20,089
Prepaid expenses	11a	**36,203**	41,547
Contract assets		**64,939**	57,289
Contract costs		**16,971**	15,019
Current portion of sinking funds	11c	**121,677**	-
		435,634	278,122
Contract assets		**23,181**	20,878
Contract costs		**62,931**	44,598
Property, plant and equipment	5	**1,880,220**	1,854,690
Right-of-use assets	6	**43,973**	-
Intangible assets	7	**284,412**	281,020
Sinking funds	11c	**71,197**	176,021
Other assets		**9,164**	6,774
		$2,810,712	$2,662,103
Liabilities and Province's equity			
Current liabilities			
Bank indebtedness		**$1,944**	$ -
Trade and other payables	11a	**130,646**	161,883
Dividend payable	11c	**24,080**	24,880
Notes payable	11c	**212,789**	193,295
Contract liabilities		**53,189**	56,984
Other liabilities		**14,713**	9,123
Current portion of long-term debt	11c	**276,396**	-
		713,757	446,165
Contract liabilities		**397**	479
Deferred income – government funding		**22,753**	25,815
Long-term debt	8, 11c	**833,048**	1,003,280
Lease liabilities	6	**38,460**	-
Employee benefit obligations	9	**13,644**	14,475
Provisions		**6,970**	6,721
		1,629,029	1,496,935
Province of Saskatchewan's equity			
Equity advance		**237,000**	237,000
Accumulated other comprehensive income		**107,536**	104,362
Retained earnings		**837,147**	823,806
		1,181,683	1,165,168
		$2,810,712	$2,662,103

See Accompanying Notes

Condensed Consolidated Interim Statement of Cash Flows

		(Unaudited)	
		Nine months ended December 31,	
Thousands of dollars	Note	**2019**	2018
Operating activities			
Net income		**$95,691**	$99,488
Adjustments to reconcile net income to cash provided			
by operating activities:			
Depreciation and amortization	5, 6, 7	**158,858**	147,666
Net finance expense	4	**26,617**	22,749
Interest paid		**(43,100)**	(38,475)
Interest received		**7,330**	6,504
Amortization of government funding		**(4,316)**	(4,563)
Impairment loss	7	**560**	-
Other		**793**	2,434
Net change in non-cash working capital	11b	**(93,714)**	(66,392)
		148,719	169,411
Investing activities			
Property, plant and equipment expenditures		**(154,670)**	(172,980)
Intangible assets expenditures		**(29,768)**	(17,109)
Government funding		**1,310**	-
		(183,128)	(190,089)
Financing activities			
Proceeds from long-term debt	11c	**105,918**	49,363
Net proceeds of notes payable	11c	**19,494**	68,934
Payment of lease liabilities	11c	**(4,602)**	-
Sinking fund instalments	11c	**(10,316)**	(9,791)
Dividends paid	11c	**(83,150)**	(86,378)
		27,344	22,128
Increase (decrease) in cash		**(7,065)**	1,450
Cash, beginning of period		**5,121**	17,292
Cash (bank indebtedness), end of period		**$(1,944)**	$18,742

See Accompanying Notes

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the nine months ended December 31, 2019

Note 1 – General information

Saskatchewan Telecommunications Holding Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office is 2121 Saskatchewan Drive, Regina, SK, S4P 3Y2. The Corporation is a Saskatchewan Provincial Crown corporation operating under the authority of The Saskatchewan Telecommunications Holding Corporation Act and, as such, the Corporation and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation.

One of the Corporation's subsidiaries, Saskatchewan Telecommunications (SaskTel) is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC) under the Telecommunications Act (Canada).

The Corporation markets and supplies a range of wireless, voice, entertainment, internet, data, equipment, marketing services, security, software products and consulting services.

Note 2 – Basis of presentation

The unaudited condensed consolidated interim financial statements (hereinafter referred to as the interim financial statements) as at and for the nine months ended December 31, 2019 should be read in conjunction with the Corporation's March 31, 2019 audited consolidated financial statements. The interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim financial statements do not include all of the information required for full annual financial statements.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies and methods of computation used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements and have been applied consistently to all periods presented in these interim financial statements except as discussed in the "Application of new International Financial Reporting Standards" section of this note.

The interim financial statements as at and for the nine month period ended December 31, 2019 were approved by the Board of Directors on February 6, 2020.

Functional and presentation currency
These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Basis of measurement
The interim financial statements have been prepared on the historical cost basis except for the following:

- Fair value through other comprehensive income financial instruments are measured at fair value, and
- The employee benefit obligations are recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

Use of estimates and judgments
The preparation of the interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 2 – Basis of presentation, continued

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements include the following:

- Revenue recognition,
- Use of the straight-line basis of depreciation and amortization,
- Classification of intangible assets – indefinite life,
- Classification of financial instruments,
- Accounting for government funding,
- Lease liability and right-of-use asset recognition, and
- Accounting for provisions.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include the following:

- Revenue recognition,
- Credit risk assessment of financial instruments,
- Useful lives and depreciation rates for property, plant and equipment and right-of-use assets,
- Useful lives and amortization rates for intangible assets,
- The measurement of employee benefit obligations,
- Lease liability and right-of-use asset measurement, and
- Accounting for provisions.

Application of new International Financial Reporting Standards

Adoption of IFRS 16 *Leases*

The Corporation has adopted IFRS 16 *Leases* (IFRS 16) with a date of initial application of April 1, 2019. In accordance with the transition provisions of IFRS 16, the Corporation has applied IFRS 16 using the modified retrospective approach. In accordance with the method of adoption:

a) the Corporation has not restated comparative information. Comparative information continues to be reported under IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an Arrangement contains a Lease* (IFRIC 4), SIC 15 *Operating Leases – Incentives*, and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, the standards in effect at the time. The modified retrospective approach to adoption of IFRS 16 also requires that the cumulative effect of initially applying IFRS 16 be applied as an adjustment to the opening balance of retained earnings at the date of initial application, April 1, 2019, however, no adjustments to retained earnings were required;
b) the Corporation has recognized lease liabilities for leases previously classified as operating leases applying IAS 17, measured at the present value of the remaining lease payments, discounted using the Corporation’s incremental borrowing rate at the date of initial application; and
c) the Corporation has recognized right-of-use assets at the date of initial application for leases previously classified as operating leases applying IAS 17, measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

In adopting IFRS 16, the Corporation has elected to apply the following expedients:

a) the Corporation has elected to grandfather the assessment of which transactions are leases. The Corporation has applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019,
b) the Corporation has elected to exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
c) the Corporation has elected to use hindsight, most specifically in determining the lease term.

Note 2 – Basis of presentation, continued

On transition, the Corporation has not elected the recognition exemption for short-term or low-value leases; however, these exemptions may be adopted in the future on a class-by-class basis for new asset classes which include short-term leases, and on a lease-by-lease basis for low-value leases.

The application of IFRS 16 has had significant impacts on the statement of financial position, the treatment of lease payments in the statement of income and other comprehensive income and the impact of lease payments on the statement of cash flows. The details of the significant changes and the quantitative impacts are set out below.

Leases where the Corporation is the lessee: Lease payments for leases previously classified as operating leases were recognized as an expense as incurred. IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Assets are recognized for the right of use received and liabilities are recognized for the payment obligations entered into for all leases. Leases that had been classified as operating in accordance with IAS 17 are now recorded as right-of-use assets and related lease liabilities. The lease liabilities, upon transition to IFRS 16, have been recognized as the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate at the time the standard is first applied. Future lease liabilities will be determined based on the present value of the future lease payments discounted at either the interest rate implicit in the lease or the Corporation's incremental borrowing rate if the implicit lease rate is not determinable, adjusted, as appropriate, for residual guarantees, purchase options and termination penalties. The right-of-use assets upon transition have been measured at the amount of the lease liability plus any payments made or accrued at transition. Future right-of-use assets will be determined based on the amount of the lease liability adjusted, as appropriate, for prepaid or accrued lease payments, lease incentives, initial direct costs and asset retirement obligations.

The adoption of IFRS 16 has also resulted in: a decrease to goods and services purchased for the removal of lease rent expense; an increase in depreciation due to depreciation of the right-of-use assets; and an increase to net finance expense due to recognition of additional interest expense related to the lease liabilities. The change in presentation of operating lease expense to depreciation of right-of-use assets and interest expense on lease liabilities also resulted in an improvement in cash flows from operations and a corresponding decline in cash flows from financing activities.

Leases where the Corporation is the lessor: The accounting requirements for Corporation as a lessor remain largely unchanged.

The impacts of adoption of IFRS 16 are as follows:

Impact on net income

	Three months ended December 31, 2019			Nine months ended December 31, 2019		
Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**
Revenue	$338,215	-	**$338,215**	$970,215	-	**$970,215**
Other income	2,491	-	**2,491**	2,872	-	**2,872**
	340,706	-	**340,706**	973,087	-	**973,087**
Expenses						
Goods and services purchased	149,337	(1,627)	**147,710**	422,756	(5,444)	**417,312**
Depreciation - right-of-use assets	-	1,653	**1,653**	-	5,018	**5,018**
All other expenses	142,623	-	**142,623**	428,449	-	**428,449**
	291,960	26	**291,986**	851,205	(426)	**850,779**
Results from operating activities	48,746	(26)	**48,720**	121,882	426	**122,308**
Net finance expense	8,593	275	**8,868**	25,775	842	**26,617**
Net income	$40,153	$(301)	**$39,852**	$96,107	$(416)	**$95,691**

Note 2 – Basis of presentation, continued

Impact on the statement of financial position

As at December 31, 2019 Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16 at date of adoption	Current period impact of IFRS 16	**As reported upon adoption of IFRS 16**
Assets				
Current assets	$435,634	$ -	$ -	**$435,634**
Right-of-use assets	-	47,310	(3,337)	**43,973**
Other assets	2,331,105	-	-	**2,331,105**
	$2,766,739	$47,310	$(3,337)	**$2,810,712**
Liabilities and Province's equity				
Current liabilities				
Current liabilities not impacted	$699,044	$ -	$ -	**$699,044**
Other liabilities	8,784	6,035	(106)	**14,713**
	707,828	6,035	(106)	**713,757**
Lease liabilities	-	41,275	(2,815)	**38,460**
Other liabilities	876,812	-	-	**876,812**
	1,584,640	47,310	(2,921)	**1,629,029**
Province of Saskatchewan's equity	1,182,099	-	(416)	**1,181,683**
	$2,766,739	$47,310	$(3,337)	**$2,810,712**

Impact on the statement of cash flows – selected lines

For the nine months ended December 31, 2019 Thousands of dollars	Excluding the impacts of IFRS 16	Impact of IFRS 16	**As reported upon adoption of IFRS 16**
Operating activities			
Net income	$96,107	$(416)	**$95,691**
Adjustments to reconcile net income			
to cash provided by operating activities:			
Depreciation and amortization	153,840	5,018	**158,858**
Net finance expense	25,775	842	**26,617**
Interest paid	(42,258)	(842)	**(43,100)**
Other adjustments and changes in non-cash working capital	(89,347)	-	**(89,347)**
Cash flows from operating activities	144,117	4,602	**148,719**
Financing activities			
Payment of lease liabilities	-	(4,602)	**(4,602)**
Other financing activities	31,946	-	**31,946**
	$31,946	$(4,602)	**$27,344**

Operating lease commitments at March 31, 2019 were $35.3 million. The difference between the operating lease commitments at March 31, 2019 and the lease liabilities of $47.3 million at April 1, 2019 is mainly due to an increase of $21.4 million related to renewal options reasonably certain to be exercised and a reduction of $9.4 million related to discounting of future lease payments based on a weighted average incremental borrowing rate on adoption of 2.48%.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)
As at and for the nine months ended December 31, 2019

Note 3 – Revenue from contracts with customers

Thousands of dollars	Three months ended December 31, 2019	Three months ended December 31, 2018	Nine months ended December 31, 2019	Nine months ended December 31, 2018
Revenue				
Wireless services	**$110,077**	$111,382	**$332,458**	$333,079
maxTV service, internet and data services	**95,391**	92,205	**282,716**	270,487
Local and enhanced services	**40,981**	45,177	**126,126**	138,580
Equipment and professional services	**55,946**	49,126	**125,664**	123,463
Security monitoring services	**8,531**	7,232	**23,551**	21,356
Long distance services	**7,248**	8,085	**22,444**	25,131
Marketing services	**6,766**	7,186	**21,074**	23,024
International software and consulting services	**2,079**	1,586	**6,013**	5,031
Other services	**11,196**	9,613	**30,169**	23,509
	$338,215	$331,592	**$970,215**	$963,660

Note 4 – Net finance expense

Thousands of dollars	Three months ended December 31, 2019	Three months ended December 31, 2018	Nine months ended December 31, 2019	Nine months ended December 31, 2018
Recognized in consolidated net income				
Interest on long-term debt	**$12,472**	$11,715	**$37,429**	$34,827
Interest on short-term debt	**730**	664	**1,852**	1,610
Interest capitalized	**(1,146)**	(1,491)	**(3,020)**	(4,672)
Net interest expense	**12,056**	10,888	**36,261**	31,765
Interest on lease liabilities	**275**	-	**842**	-
Net interest on defined benefit liability	**66**	64	**198**	191
Interest on provisions	**55**	67	**165**	197
Finance expense	**12,452**	11,019	**37,466**	32,153
Sinking fund earnings	**(1,100)**	(940)	**(3,519)**	(2,900)
Interest income	**(2,484)**	(2,198)	**(7,330)**	(6,504)
Finance income	**(3,584)**	(3,138)	**(10,849)**	(9,404)
Net finance expense	**$8,868**	$7,881	**$26,617**	$22,749

Interest capitalization rate	**4.02%**	4.21%

Note 5 – Property, plant and equipment

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2019	**$3,537,767**	**$575,017**	**$176,534**	**$103,484**	**$38,670**	**$4,431,472**
Additions	**43,289**	**-**	**12,792**	**101,373**	**707**	**158,161**
Transfers	**59,415**	**8,930**	**8,513**	**(76,858)**	**-**	**-**
Retirements, disposals and adjustments	**(35,406)**	**(742)**	**(16,951)**	**-**	**(2)**	**(53,101)**
Balance at December 31, 2019	**$3,605,065**	**$583,205**	**$180,888**	**$127,999**	**$39,375**	**$4,536,532**
Balance at April 1, 2018	$3,468,486	$519,868	$167,649	$172,220	$38,489	$4,366,712
Additions	63,995	-	16,859	157,985	419	239,258
Transfers	165,720	50,690	10,545	(226,721)	(234)	-
Retirements, disposals and adjustments	(160,434)	4,459	(18,519)	-	(4)	(174,498)
Balance at March 31, 2019	$3,537,767	$575,017	$176,534	$103,484	$38,670	$4,431,472
Accumulated depreciation						
Balance at April 1, 2019	**$2,281,955**	**$181,497**	**$113,330**	**$ -**	**$ -**	**$2,576,782**
Depreciation	**100,260**	**11,625**	**16,610**	**-**	**-**	**128,495**
Retirements, disposals and adjustments	**(36,773)**	**(384)**	**(11,808)**	**-**	**-**	**(48,965)**
Balance at December 31, 2019	**$2,345,442**	**$192,738**	**$118,132**	**$ -**	**$ -**	**$2,656,312**
Balance at April 1, 2018	$2,307,931	$168,712	$110,542	$ -	$ -	$2,587,185
Depreciation	128,841	13,352	21,308	-	-	163,501
Retirements, disposals and adjustments	(154,817)	(567)	(18,520)	-	-	(173,904)
Balance at March 31, 2019	$2,281,955	$181,497	$113,330	$ -	$ -	$2,576,782
Carrying amounts						
At April 1, 2019	**$1,255,812**	**$393,520**	**$63,204**	**$103,484**	**$38,670**	**$1,854,690**
At December 31, 2019	**$1,259,623**	**$390,467**	**$62,756**	**$127,999**	**$39,375**	**$1,880,220**
At April 1, 2018	$1,160,555	$351,156	$57,107	$172,220	$38,489	$1,779,527
At March 31, 2019	$1,255,812	$393,520	$63,204	$103,484	$38,670	$1,854,690

Note 6 – Leases

Accounting policies

The following accounting policy discussion is presented to illustrate the impact of IFRS 16 on the Corporation's accounting policies.

Lease identification
At the inception of a contract, the Corporation assesses whether the contract is, or contains a lease, based on the Corporation's right to control the use of an identified asset for a specified period of time. Lease components within a contract are accounted for as a lease separately from the non-lease components of the contract. For contracts that contain one or more additional lease or non-lease components, the consideration is allocated to each component based on the stand-alone price of the lease and non-lease components.

Lease liabilities
Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability include the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is calculated using the effective interest method resulting in a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the initial discount rate, or if applicable a revised discount rate.

Amounts recognized in net income, unless the costs are included in the carrying amount of another asset applying other applicable standards, include:

- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets
Right-of-use assets are initially measured at cost. The cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the lessee; and

Note 6 – Leases, continued

- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the initial recognition, the Corporation measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses; adjusted for any remeasurement of the lease liability due to lease modifications or revised in-substance fixed lease payments.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless the Corporation expects to obtain ownership of the asset at the end of the lease term. The lease term consists of the non-cancellable lease term, renewal options that are reasonably expected to be exercised and termination options that are not reasonably expected to be exercised.

Accounting estimates and judgments

The Corporation is required to make estimates and judgments that affect or impact the determination of lease liabilities and right-of-use assets and the related interest expense and depreciation.

Judgments include determining whether a contract contains an identifiable asset, assessing control of assets in a contract, determining the lease term including the assessment of renewal and cancellation terms, and determining whether lease modifications result in changes to existing leases or new leases.

Estimation involves determination of the lease payments to be included in the lease liability, estimation of the incremental borrowing rate or implicit lease rate as appropriate, estimation of additional amounts to be included in the determination of the right-of-use asset, and estimation of the useful lives of right-of-use assets.

Supporting information

Right-of-use assets

Thousands of dollars	Plant and equipment	Buildings and improvements	Land	Total
Cost				
Balance at April 1, 2019	$10,191	$27,436	$9,683	$47,310
Additions	2,246	288	81	2,615
Retirements, disposals and adjustments	(97)	-	(871)	(968)
Balance at December 31, 2019	$12,340	$27,724	$8,893	$48,957
Accumulated depreciation				
Balance at April 1, 2019	$ -	$ -	$ -	$ -
Depreciation	2,550	1,949	519	5,018
Retirements, disposals and adjustments	14	(19)	(29)	(34)
Balance at December 31, 2019	$2,564	$1,930	$490	$4,984
Carrying amounts				
At April 1, 2019	$10,191	$27,436	$9,683	$47,310
At December 31, 2019	$9,776	$25,794	$8,403	$43,973

Note 6 – Leases, continued

Lease liabilities

As at December 31,	2019
Thousands of dollars	
Contractual undiscounted cash flows	
One year or less	$6,757
Between one and five years	19,402
Greater than five years	26,636
Total undiscounted lease liabilities	**$52,795**
Discounted lease liabilities included in the statement of financial position	**$44,389**
Current (included in other liabilities)	**5,929**
Non-current	**$38,460**

Amounts recognized in net income

For the period ended December 31,	2019
Thousands of dollars	
Interest on lease liabilities	**$842**

Amounts recognized in the statement of cash flows

For the period ended December 31,	2019
Thousands of dollars	
Interest paid on lease liabilities	$842
Lease liability principal payments	4,602
Total cash outflow for leases	**$5,444**

Note 7 – Intangible assets

Thousands of dollars	Goodwill	Software	Spectrum licenses	Under development	Total
Cost					
Balance at April 1, 2019	**$5,976**	**$428,357**	**$108,738**	**$2,199**	**$545,270**
Acquisitions	**-**	**3,088**	**12,167**	**8,646**	**23,901**
Acquisitions – internally developed	**-**	**4,595**	**-**	**801**	**5,396**
Transfers	**-**	**1,473**	**-**	**(1,473)**	**-**
Impairment loss	**(560)**	**-**	**-**	**-**	**(560)**
Retirements, disposals and adjustments	**-**	**(262)**	**-**	**-**	**(262)**
Balance at December 31, 2019	**$5,416**	**$437,251**	**$120,905**	**$10,173**	**$573,745**
Balance at April 1, 2018	$5,976	$395,146	$108,738	$12,277	$522,137
Acquisitions	-	3,743	-	16,952	20,695
Acquisitions – internally developed	-	5,944	-	2,339	8,283
Transfers	-	29,369	-	(29,369)	-
Retirements, disposals and adjustments	-	(5,845)	-	-	(5,845)
Balance at March 31, 2019	$5,976	$428,357	$108,738	$2,199	$545,270
Accumulated amortization					
Balance at April 1, 2019	**$ -**	**$264,250**	**$ -**	**$ -**	**$264,250**
Amortization	**-**	**25,345**	**-**	**-**	**25,345**
Retirements, disposals and adjustments	**-**	**(262)**	**-**	**-**	**(262)**
Balance at December 31, 2019	**$ -**	**$289,333**	**$ -**	**$ -**	**$289,333**
Balance at April 1, 2018	$ -	$235,735	$ -	$ -	$235,735
Amortization	-	34,372	-	-	34,372
Retirements, disposals and adjustments	-	(5,857)	-	-	(5,857)
Balance at March 31, 2019	$ -	$264,250	$ -	$ -	$264,250
Carrying amounts					
At April 1, 2019	**$5,976**	**$164,107**	**$108,738**	**$2,199**	**$281,020**
At December 31, 2019	**$5,416**	**$147,918**	**$120,905**	**$10,173**	**$284,412**
At April 1, 2018	$5,976	$159,411	$108,738	$12,277	$286,402
At March 31, 2019	$5,976	$164,107	$108,738	$2,199	$281,020

Note 8 – Long-term debt

On April 2, 2019, the Corporation issued $100 million of long-term debt at a premium of $5.9 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.10%, an effective interest rate of 2.81%, and matures on June 2, 2050.

Note 9 – Employee benefit obligations

Other comprehensive income results, in part, from changes to actuarial assumptions related to the assets and liabilities of the Corporation's employee benefit plans, specifically the discount rate used to calculate the liabilities of the employee defined benefit plan and changes in the fair value of the employee benefit defined plan assets resulting from differences in the actual versus estimated return on these assets. The discount rates used are as follows:

	2019/20	2018/19
June 30	**3.00%**	3.50%
September 30	**2.80%**	3.70%
December 31	**2.90%**	3.90%
March 31	**n/a**	3.20%

In addition to the other comprehensive income impact detailed below, these assumption changes, combined with pension income and benefits paid for the period, have resulted in a net decrease in the employee benefit obligations for the period which has been offset by the impact of the asset ceiling limit.

	Nine months ended December 31,	
Thousands of dollars	**2019**	2018
Actuarial gain (loss) on accrued benefit obligation	**$(33,399)**	$55,266
Return on plan assets excluding interest income	**41,471**	(44,880)
Effect of asset ceiling limit	**(7,916)**	(10,279)
Actuarial gains on employee benefit plans	**$156**	$107

Note 10 – Capital management

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in the Corporation by CIC.

Due to its ownership structure, the Corporation has no access to capital markets for internal equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to CIC are determined through the Saskatchewan Provincial budget process on an annual basis.

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility. Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenue and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by their Boards. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The budgeted ratio for 2019/20 is 49.0%.

The Corporation raises most of its capital requirements through internal operating activities, as well as, short-term and long-term debt through the Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

The Corporation made no changes to its approach to capital management during the period.

The Corporation is not subject to any externally imposed capital requirements.

Note 10 – Capital management, continued

The debt ratio is as follows:

As at Thousands of dollars	December 31, 2019	March 31, 2019
Long-term debt (a)	$1,109,444	$1,003,280
Notes payable (a)	212,789	193,295
Less: Sinking funds	192,874	176,021
Cash	-	5,121
Net debt	1,129,359	1,015,433
Province of Saskatchewan's equity (b)	1,181,683	1,165,168
Capitalization	$2,311,042	$2,180,601
Debt ratio	48.9%	46.6%

a) Long-term debt and notes payable exclude lease liabilities
b) Equity includes equity advances, accumulated other comprehensive income and retained earnings at the end of the period.

Note 11 – Additional financial information

a) Statement of financial position

As at Thousands of dollars	December 31, 2019	March 31, 2019
Trade and other receivables		
Customer accounts receivable	$96,971	$110,092
Accrued receivables - customer	2,618	2,456
Allowance for doubtful accounts	(1,823)	(2,396)
	97,766	110,152
High cost serving area subsidy	1,540	1,865
Other	74,705	27,040
	$174,011	$139,057
Prepaid expenses		
Prepaid expenses	$35,044	$40,392
Short-term customer incentives	1,159	1,155
	$36,203	$41,547
Trade and other payables		
Trade payables and accrued liabilities	$91,896	$119,435
Payroll and other employee-related liabilities	28,550	32,242
Other	10,200	10,206
	$130,646	$161,883

Note 11 – Additional financial information, continued

b) Non-cash working capital changes

Thousands of dollars	Nine months ended December 31, 2019	2018
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$(34,954)**	$(38,749)
Inventories	**(1,744)**	525
Prepaid expenses	**5,344**	13,584
Contract assets	**(9,953)**	(5,846)
Contract costs	**(20,284)**	(6,531)
Trade and other payables	**(28,015)**	(23,620)
Contract liabilities	**(3,876)**	(4,330)
Other liabilities	**(396)**	(20)
Other	**164**	(1,405)
	$(93,714)	$(66,392)

c) Changes in liabilities arising from financing activities

Thousands of dollars	Assets	Liabilities				
	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	Total
Balance at April 1, 2019	$(176,021)	$1,003,280	$193,295	$46,803	$24,880	$1,092,237
Changes from financing cash flows						
Proceeds from loans and borrowings	-	105,918	658,534	-	-	764,452
Repayment of borrowings	-	-	(639,040)	(4,602)	-	(643,642)
Instalments	(10,316)	-	-	-	-	(10,316)
Dividends paid	-	-	-	-	(83,150)	(83,150)
Total changes from financing cash flows	(10,316)	105,918	19,494	(4,602)	(83,150)	27,344
Other changes						
Dividends declared	-	-	-	-	82,350	82,350
Sinking fund earnings	(3,519)	-	-	-	-	(3,519)
Sinking fund valuation adjustments	(3,018)	-	-	-	-	(3,018)
Amortization of net discount on long-term debt	-	246	-	-	-	246
Lease liability interest component, new leases and assumption changes	-	-	-	2,188	-	2,188
Total other changes	(6,537)	246	-	2,188	82,350	78,247
Balance at December 31, 2019	$(192,874)	$1,109,444	$212,789	$44,389	$24,080	$1,197,828

Note 11 – Additional financial information, continued

c) Changes in liabilities arising from financing activities, continued

	Assets	Liabilities				
Thousands of dollars	Sinking funds	Long-term debt	Notes payable	Lease liabilities	Dividend payable	Total
Balance at April 1, 2018	$(155,564)	$953,494	$143,069	$ -	$26,506	$967,505
Changes from financing cash flows						
Proceeds from loans and borrowings	-	49,363	649,524	-	-	698,887
Repayment of borrowings	-	-	(580,590)	-	-	(580,590)
Instalments	(9,791)	-	-	-	-	(9,791)
Dividends paid	-	-	-	-	(86,378)	(86,378)
Total changes from financing cash flows	(9,791)	49,363	68,934	-	(86,378)	22,128
Other changes						
Dividends declared	-	-	-	-	89,808	89,808
Sinking fund earnings	(2,900)	-	-	-	-	(2,900)
Sinking fund valuation adjustments	996	-	-	-	-	996
Amortization of net discount on long-term debt	-	316	-	-	-	316
Total other changes	(1,904)	316	-	-	89,808	88,220
Balance at December 31, 2018	$(167,259)	$1,003,173	$212,003	$ -	$29,936	$1,077,853

Note 12 – Financial risk management

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates, as well as credit and liquidity risk. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The Corporation's financial risks have not changed significantly from the prior period. The Corporation does not actively trade financial instruments.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

As at			**December 31, 2019**		March 31, 2019	
Thousands of dollars	Classification (a)	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Investments - sinking funds	FVOCI	Level 2	**$192,874**	**$192,874**	$176,021	$176,021
Financial liabilities						
Long-term debt	Amortized cost	Level 2	**1,109,444**	**1,250,448**	$1,003,280	$1,133,553

(a) Classification details are:
FVOCI – fair value through other comprehensive income

Note 12 – Financial risk management, continued

Fair value hierarchy
When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, bank indebtedness, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.
Level 3 – Where valuation is based on unobservable inputs.

There were no items measured at fair value using level 3 during 2018/19 or 2019/20 and no items transferred between levels in 2018/19 or 2019/20.

Investments carried at fair value through OCI
Investments carried at fair value through OCI and categorized as level 2 in the hierarchy include sinking funds. The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

Long-term debt
The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Note 13 – Comparative information

Certain of the 2018/19 comparative information has been reclassified to conform with the financial statement presentation adopted for the current fiscal period.